

## **SAMPLE PROPOSAL**

**THIS IS A SHORT, SIMPLIFIED SAMPLE OF AN INDIRECT COST PROPOSAL. IF YOU WOULD USE THIS TYPE OF FORMAT, THE OFFICE OF INSPECTOR GENERAL COULD EXPEDITE THE NEGOTIATION OF YOUR FIXED CARRYFORWARD INDIRECT COST RATE.**

**Information and examples used in this proposal are all fictitious and represent no particular state or local government unit.**

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Organization  
Indirect Cost Rate Proposal  
For the Period July 1, 2001, Through June 30, 2002

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Organization  
Indirect Cost Rate Proposal  
For the Period July 1, 2001, Through June 30, 2002

**INTRODUCTION**

The Organization has received an indirect cost rate from the Department of the Interior since fiscal year (FY) 1990. This proposal is based upon estimated budgets for all programs to be administered by the Organization during the period July 1, 2001, through June 30, 2002. All Federal, State, and district programs have been included in the proposal.

We have also included audited financial statements for all programs and the indirect cost pool for FY 2000. Using the FY 2000 figures, we determined that the Organization had an overrecovery of \$2,200,000 on Federal and non-Federal programs. This overrecovery was included in our computation of the proposed FY 2002 fixed carryforward rate of 18.9 percent.

The individuals to contact in regard to this proposal are:

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Organization  
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CERTIFICATE OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal [identify date] to establish billing or final indirect costs rate for [identify period covered by rate] are allowable in accordance with the requirements of the Federal award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated, as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

Governmental Unit: \_\_\_\_\_

Signature: \_\_\_\_\_

Name of Official: \_\_\_\_\_

Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

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ACCOUNTING SYSTEM DESCRIPTION

The Organization has an automated, double-entry, accrual system of accounting. Separate journals and ledgers are maintained for each individual program in the direct cost base. A separate journal and a general ledger are also maintained for the indirect cost pool.

**NOTE: THIS CERTIFICATION IS REQUIRED ONLY FOR NEW ORGANIZATIONS IN THEIR FIRST AND SECOND YEARS OF INDIRECT COST PROPOSAL NEGOTIATIONS.**

ACCOUNTING CERTIFICATION

We have reviewed the bookkeeping and accounting system of the Organization and the related internal controls to determine if the systems and controls in effect are in compliance with the standards set forth in Title 25, Chapter 1, of the Code of Federal Regulations, Part 276.7.

The system and controls are to provide for:

1. Accurate, current, and complete disclosure of the financial results of each contract and/or grant program in accordance with Federal reporting requirements.
2. Records that identify adequately the source and application of funds for each contract and/or grant program.
3. Effective control over, and accountability for, all contract and/or grant or subgrant funds and real and personal property acquired with grant or subgrant funds.
4. Comparison of actual costs with budgeted amounts for each contract and/or grant or subgrant.
5. Procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement by the grantee.
6. Procedures for determining the allowability and allocability of costs with the applicable cost principles.
7. Accounting records that are supported by source documentation.
8. A systematic method to assure timely and appropriate resolution of audit findings and recommendations.

Based on our review, we hereby certify that the financial system meets the requirements of the above stated regulations.

CPA's Signature and Date

Note: All eight areas must be tested for reliability by the licensed accountant. Compliance is not determined only by the ability of the system, but also by the fact that personnel are operating it to meet the above standards. Any exception to the above should be so noted.



Organization  
Indirect Cost Rate Proposal  
For the Period July 1, 2001, Through June 30, 2002

POLICY STATEMENT ON DIRECT VERSUS INDIRECT COSTS

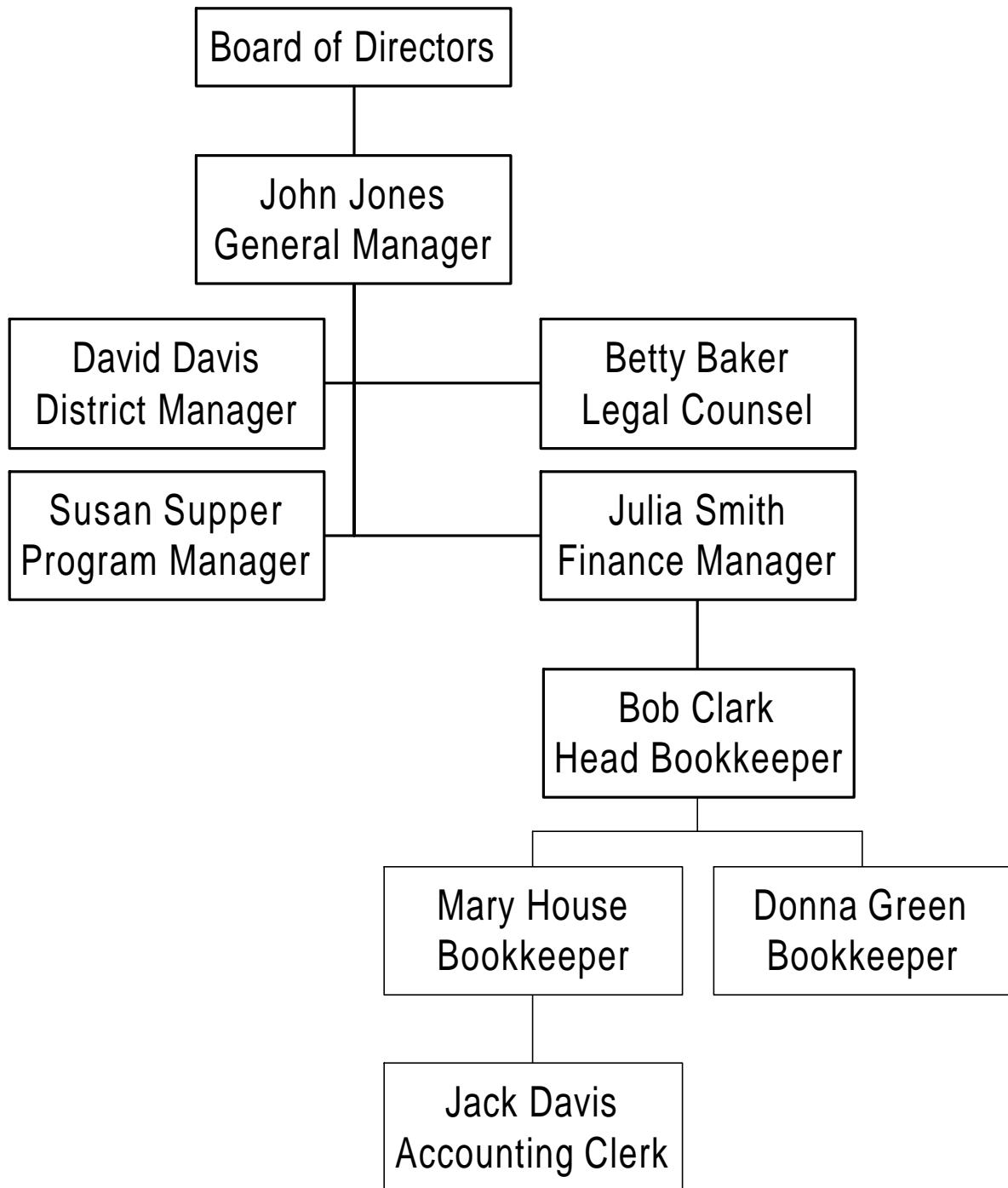
Direct costs consist of those costs that can be readily identified as a direct contract/grant cost and addressed as benefiting a particular cost objective.

The following indirect costs incurred for the operation of the administration of the [ Organization] have been classified as indirect costs in accordance with the standards for indirect costs as described in Circular A-87 issued by the Office of Management and Budget. For reasons itemized below, these costs have been determined to comply with the above stated criteria and are therefore to be consistently charged as indirect costs within the funding formulas determined by the cognizant agencies. All items listed below have been determined to benefit more than one cost objective and are not readily allocable to benefiting programs.

1. Salaries paid to the administrative staff of the [ Organization].
2. Fringe benefits, including payroll taxes and medical insurance for the administrative staff.
3. Travel, including meals, lodging, and transportation costs for indirect personnel conducting business that is of an indirect nature (i.e., the benefit is not directly related to one program, but instead benefits many programs). Per diem follows the guidelines established for the Federal Government by GSA.
4. Insurance costs for the general umbrella policy and the fidelity bond of the Organization.
5. Office supplies, including office supplies used that cannot be specifically identified with a particular grant.
6. Telephone and utilities.
7. Consultants, including attorney fees, audit fees, and preparation of the indirect cost proposal.
8. Repairs and maintenance of the Organization facilities that are utilized by programs and grants.

Other indirect costs may be included in the administration of the indirect cost pool. Costs included in the indirect cost pool may not be limited to the above list; however, they are the only such costs foreseen at this time. Each cost is examined for compliance with prescribed criteria before being classified as an indirect cost.

Organization's Name  
Organizational Chart  
FY 2000



**Organization**  
**Calculation of Indirect Cost Rate and Carryforward Computation**  
**Year Ending June 30, 2002**

<u>TITLE/DESCRIPTION</u>	<u>YEAR ENDING</u> <u>AMOUNTS</u>
FY 2000 Direct Cost Base based on actual costs incurred	\$46,000,000 *
FY 2000 Indirect Cost Rate per FY 2000 Negotiation Agreement	20.0%
FY 2000 Recoverable Indirect Costs	<u>9,200,000</u>
 FY 2000 Department Costs based on actual costs incurred	 9,000,000 *
FY 2000 SWCAP (if any)	1,500,000 *
FY 1998 Carryforward to FY 2000 per 2000 negotiation agreement	<u>(3,500,000)</u>
FY 2000 Indirect Cost Pool	7,000,000
FY 2000 Recoverable Indirect Costs from above	<u>9,200,000</u>
FY 2000 Carryforward to FY 2002	(2,200,000)
FY 2002 Department Costs proposed	9,000,000 **
FY 2002 SWCAP (if any)	<u>1,500,000</u> **
FY 2002 Indirect Cost Pool	<u>\$ 8,300,000</u>
 B. Proposed Direct Cost Base	 <u>\$44,000,000</u> **
 FY 2002 Indirect Cost Rate	 <u>18.9%</u>

\* Please provide detail support for actual indirect and actual direct base costs reconcilable to financial statements that meet the requirements of the Single Audit Act of 1984, Public Law 98-502.

\*\* Please provide detail support for proposed indirect and direct base costs and indicate the percentage of Federal funding in the base.

**Organization**  
**Reconciliation of Financial Statement Costs to Indirect Cost Proposal**  
**For the Period Ended June 30, 2000**

Cost Per Financial Statements

Costs Per: General Fund	\$
Special Revenue Fund	
Enterprise Fund	
_____ Fund	
_____ Fund	
Total Costs to be Accounted For:	

Cost Per Indirect Cost Proposal (Actual Costs)

Direct Costs	
Indirect Costs	
SWACAP	
Subtotal	
Add: Costs Excluded From the Proposal:	
Capital Equipment	\$
Flowthrough/Passthrough Funds	
Other Eliminations	
Participant's Stipends	
Directly Funded Indirect	
Total Costs Accounted For:	\$
Difference	\$

Explanation of Difference:

Note: A reconciliation of actual costs (carryforward year), as stated in the proposal, with total costs in the audited financial statements should be completed as part of the proposal.



Organization  
**INDIRECT COST PERSONNEL JUSTIFICATIONS**  
For the Period July 1, 2001, Through June 30, 2002

The following account of each position should provide the necessary justification to fund administrative costs through the indirect cost pool for fiscal year 2002.

**GENERAL MANAGER:** The General Manager has administrative responsibility for all staff and activities of the Organization. Under the direction of the Board of directors, the Manager plans, administers through subordinate supervision, reviews and evaluates all Organizational functions and activities; ensures that such activities are carried out within statutory, budgetary and policy guidelines.

The General Manager is also responsible for representing the Organization in negotiations of grants/contracts; coordinating the direction of the Organization; and representing the organization in meetings with governmental and business organizations, community groups, developers, customers and the public. Therefore, only 40 percent of the General Manager's time is charged to administration, with the remaining 60 percent charged direct to contracts and program activities.

**FINANCE MANAGER:** This position handles the business activities of the Organization. The Finance Manager develops and administers the annual budget for the Organization; reviews and authorizes expenditures; plans and recommends revenue strategies, and implements plans after approval by General Manager and the Board. This position will be responsible for the business department and also be involved in program business activities, with 80 percent of the time chargeable to administrative costs.

**HEAD BOOKKEEPER:** The head bookkeeper plans, organizes, directs and coordinates the administrative support functions of the Organization. Specifically, the Head Bookkeeper provides general management and administration of the Organization's billing and collection system, personnel, accounting, customer service, records maintenance and related office support services. In addition, the Head Bookkeeper assists in budget preparation and monitors and controls administrative costs.

**BOOKKEEPERS:** These positions are responsible for maintaining the books of entry for all programs and ensuring that the financial system is kept current. Specifically, the Bookkeepers perform accounting work of a technical nature and assist in the financial operation of the Organization. Major duties include maintenance of accounts payable, receivable, cash disbursements and the general ledger. In addition, the bookkeepers reconcile bank statements and all monthly financial reports, as necessary, for the General Manager.

**ACCOUNTING CLERK:** This position is part of the centralized accounting department of the Organization. The accounting clerk is responsible for distributing payroll for all programs and ensuring that the proper reports and records are kept current. This position also assists with the accounts payable.